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SUBJECT: INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT  
(INCSR) - HONDURAS

REF: A. STATE 240035  
[B. STATE 240015](#)

[1](#)1. Embassy Tegucigalpa hereby submits 2002 International Narcotics Control Status Report (INCSR) for Honduras. Begin text:

#### [1](#)I. Summary

The trans-shipment of cocaine through Honduras using air, land and maritime routes continued without significant disruption in 2002. Overall seizures in Honduras dropped to their lowest level in more than three years and were the fewest in Central America. There is solid evidence of drug trafficking-related corruption within Honduran law enforcement, judicial, and military organizations. On a positive note, the Honduran Congress finally approved a new money laundering law in March that will facilitate U.S. and Honduran law enforcement and counterterrorism efforts. The National Council for the Fight Against Drug Trafficking renewed its commitment to lead the country's counternarcotics efforts. A new, more politically-independent Supreme Court was installed in January with the change of government. It has already demonstrated its willingness to tackle the problems of judicial corruption. It is working assiduously to improve the administration of justice in the country. Available funds to implement a government-approved counternarcotics master plan remain limited. The Ministry of Public Security and Honduran military took a more active role in counterdrug operations; however, their actions did not effectively reduce the amount of drugs transiting Honduras. The U.S. continues to provide funding, training and technical support to improve Honduran law enforcement capabilities. Ensuring the detention, prosecution and incarceration of major offenders, however, remains a challenge. Honduras is a party to the 1988 UN Drug Convention.

#### II. Status of Country

Honduras does not produce drugs in any meaningful quantities. Its primary drug problem stems from the trafficking of hard drugs, in particular, cocaine, via air, land and maritime routes. There are direct air and maritime links to U.S. cities and the Panamerican Highway crosses southern Honduras. The Honduran police and Honduran Navy do not have sufficient maritime assets to attack drugtrafficking along its north coast. There was a significant drop in drug interdiction this year, with the total amount of cocaine seized dropping from 182 kg to 76 kg. Despite the recent passage of a new broader money laundering law, money laundering in Honduras remains a serious threat, although the country is not yet a major money laundering center.

#### III. Country Actions against Drugs in 2002

Policy Initiatives: In February, the new President, Ricardo Maduro, launched a "zero tolerance" campaign to combat crime in Honduras. His policy launched a combined police-military effort to patrol throughout the country, but primarily in urban areas, where widespread violent gang activity had reached alarming levels. The President directed more than 3,000 soldiers to work directly in support of law enforcement activities.

In response to violations of its airspace, the new Government approved the creation of a joint inter-agency incident response group; however, implementation of this new capability stalled. In late 2002, Presidential-designate Armida Villeda de Lopez Contreras, the chair of the National Council for the Fight Against Drug Trafficking, launched an effort to improve coordination between the police, armed forces, prosecutors, and judiciary.

The Criminal Procedures Code took effect on February 20, [2002](#). The new code changes Honduras, criminal legal system from an inquisitorial system to an accusatorial one. The code's chief goal is to decrease opportunities for criminals to manipulate the justice system; and it should assist efforts to prosecute drug-trafficking cases. However, it

requires substantial political will and monetary resources to implement effectively. All elements of the judicial system (law enforcement, prosecutors, judges, public defenders) required, but did not fully receive, additional budgetary resources for the successful implementation. Nonetheless, Honduras carried out far more trials (84) under the new code than other Central American countries during similar transition periods.

**Accomplishments:** As of December 1, 2002, 76 kilograms and 708 rocks of crack and 914.75 pounds of marijuana had been seized and there had been 722 narcotics-related arrests. Some progress was made in establishing a small maritime law enforcement facility in Gracias a Dios Department. The Honduran Frontier police had success detecting cocaine transshipments through frontier posts, drawing on increased U.S. government-provided counternarcotics training. Law enforcement agencies seized USD 460,000 in a mid-December seizure and search of the M/V Capt. Ryan.

**Law Enforcement Efforts:** Counternarcotics efforts are a priority for government agencies, but evidence continues to mount of penetration of law enforcement agencies by narcotraffickers and other criminals, as well as bribery. The DEA equivalent investigative force (the DLCN) continued to operate ineffectively despite new leadership. The new DLCN Director subsequently resigned his post in late October. A successor had not yet been named as of December 30. The Minister of Public Security supported creation of new anti-narcotics police units, authorized an expanded role for the Frontier Police in the counter-drug effort, and joined an inter-agency effort to create a new joint police-military counternarcotics command.

**Corruption:** Corruption remains a major problem in all aspects of national life. It is the single most serious impediment to more effective counternarcotics efforts. While the government does not encourage or facilitate drug trafficking nor does any senior official participate in the illicit production or distribution of drugs, corruption within the government and judiciary is a significant impediment to effective law enforcement actions. The Minister of Public Security named a new Police Chief and Internal Affairs Director in February and continued efforts to purge the police of corrupt elements. However, the Government has still not conducted any effective investigations into criminal penetration of law enforcement and judicial units. The Internal Affairs Director and Minister of Public Security became embroiled in a highly publicized dispute over the involvement of police officers in extrajudicial killings, which inhibited efforts to investigate corruption within the police. Nationally elected officials enjoy legal immunity for all acts while in office, creating a perverse incentive for people involved in illicit activity to run for office and complicating enforcement efforts against suspected illegal narcotics activity. The widespread issuance of Honduran diplomatic and official passports also aids drug-trafficking. A member of the 1997-2001 Honduran Congress was arrested with 6 kilos of heroin while attempting to cross the Panama-Costa Rica border using a valid Honduran diplomatic passport.

**Agreements and treaties:** During the course of year, the U.S. and Honduras both ratified a stolen car treaty, which had been signed in November 2001. The treaty has not yet entered into effect. A U.S.-Honduras maritime counternarcotics agreement entered into force in 2001, under its auspices a trilateral counterdrug maritime operation, which included Nicaragua, was conducted during April 2002. The agreement allows U.S. vessels to operate in Honduran waters in support of Honduran law enforcement efforts; in addition, the agreement provides for information exchange and the coordination of joint counternarcotics activities. The Honduran government is an active member of the Inter-American Drug Abuse Control Commission (CICAD). Honduras also hosts the Regional Center for (Counternarcotics) Development and Judicial Cooperation in Central America, headed by a Nicaraguan. Honduras has counternarcotics agreements with the U.S., Belize, Colombia, Jamaica, Mexico, Venezuela and Spain.

**Cultivation/Production:** Marijuana remains the only illegal drug known to be cultivated in Honduras. There were no additional seizures of synthetic drugs during 2002, despite the seizure of ecstasy for the first time in Honduras in December 2001. Aerial herbicides are not used.

**Drug Flow/Transit:** The volume of drugs transiting Honduras continues to increase. There has been a noticeable increase in the number of suspect air flights transiting Honduran airspace en route to Guatemala and southern Mexico. Overland routes using commercial and private vehicles continue to be used to smuggle cocaine. Illegal go-fast boat landings in Department of Gracias a Dios also are used to deliver cocaine for trans-shipment via small boat to La Ceiba, where it is transported onward for embarkation on commercial vessels, or

trucked toward Guatemala. The vast majority of drugs entering/transiting Honduras - probably over 90 percent - are destined for the U.S., although it is now an apparent common practice for traffickers to pay local "contractors" in drugs. Gang members are increasingly used to "push" these in-kind payments to Hondurans in urban areas and along the north coast. Drug smuggling using ships departing Honduran ports on the Caribbean is common. Despite efforts to establish a port security program, the government's autonomous Port Authority has not made any significant progress to address this problem.

**Domestic Programs/Demand Reduction:** The Maduro Administration, under the direction of Presidential-designate Armida Villeda de Lopez Contreras, the chair of the National Council for the Fight Against Drug Trafficking, has launched a pilot program directed at Honduran youth to fight drug abuse. The National Council is making demand reduction a major part of Honduran counternarcotics efforts. It reflects the government's appreciation that drug trafficking through Honduras is a national security threat and major public policy problem inside the country.

Drug use is a growing phenomenon among youth culture in Honduras; 49 percent of Hondurans are under 18. Drug abuse by gang members is a growing issue of public concern. It is viewed by some as only one of many public health and social problems linked to unemployment, poverty and economic under-development. Alcohol is by far the most abused drug in Honduras, followed by marijuana, inhalants, and - to a much lesser degree - cocaine. Crack cocaine and designer drug use is increasing.

The National Council's pilot program links the efforts of the government's demand reduction entity "IHADFA" - the Institute for the Prevention of Alcoholism and Drug Addiction - with an umbrella group ("CIHSA") of NGOs working in demand reduction and drug rehabilitation. The new program combines programs operated by the Ministries of Public Health and Education, IHADFA and CIHSA, to launch a community-wide effort to inform youth about the dangers of drugs and to address root causes of drug experimentation. The U.S. Embassy is working with the National Council to support this new approach.

#### IV. U.S. Policy Initiatives and Programs

**U.S. Policy Initiatives:** U.S. counternarcotics initiatives are aimed at improving the institutional abilities of Honduran law enforcement entities, with a special focus on enhancing GOH maritime interdiction capabilities along the north coast. The new government has worked hard to support implementation of bilateral counternarcotics projects and expressed interest in expanding program cooperation, even though its resources are extremely limited. In addition, the June amendment to the 2000 Letter of Agreement directed monies for the establishment of a machine readable passport, completion of the construction of a container freight tracking system, and a repatriation shelter for illegal aliens from third countries. We are continuing our support to help launch the Honduran government's pilot programs.

**Bilateral Cooperation:** The U.S. added almost USD 1.5 million to its bilateral counternarcotics program during 2002. We funded construction of additional office space for a new transnational crime analytical unit and provided necessary computer equipment to CEINCO, the joint intelligence coordination center. U.S. Customs provided refresher training and an assessment of the DLCN canine program. Construction of a counternarcotics and customs checkpoint on the Panamerican Highway was completed in November 2002. The new facility will be manned by the Frontier Police, which received intensive training for the U.S. INS Border Tactical Police. The refurbishment of two 36-foot and two 24-foot USG-donated boats for counternarcotics purposes was completed and the boats were deployed along the Caribbean (north) coast. The U.S. doubled its support for Honduran demand reduction programs. The Embassy found no irregularities when it conducted a thorough review, including site visits, of the status of previous USG donations to Honduran law enforcement units.

**The Road Ahead:** The Honduran government of President Maduro has demonstrated a strong interest in attacking drug trafficking through its national territory and is organizing itself to more effectively respond to this challenge. We expect to see an increased level of maritime interdiction operations by the government during the next year. The National Council for the Fight Against Drug Trafficking, under the direction of Presidential-designate Armida Villeda de Lopez Contreras, has taken a revitalized leadership role within the government. We expect to work closely with the council to address better implementation of the national counternarcotics master plan. The council is more effectively coordinating the various efforts of the police, Attorney General's Office, judiciary, and armed forces. Corruption, threats and violence continue to pose a major

challenge to effective law enforcement, but our relationships with the National Council and key ministries should result in significant progress during the next year.

#### V. Statistical tables

##### Summary Tables for Three Years

For Calendar Years: 2002 -- 2001 -- 2000

##### 1. Coca:

-- A. Cultivation	N/A	N/A	N/A
-- B. Eradication	N/A	N/A	N/A
-- C. Harvestable after Eradication	N/A	N/A	N/A

2. Potential Coca Leaf: N/A N/A N/A

##### 3. Opium:

-- A. Cultivation	N/A	N/A	N/A
-- B. Eradication	N/A	N/A	N/A
-- C. Harvestable after Eradication:	N/A	N/A	N/A

##### 4. Cannabis (in plants)

-- A. Cultivation:	Unknown	Unknown	Unknown
-- B. Eradication:	41,402	269,000	590,000
-- C. Harvestable after Eradication:	N/A	N/A	N/A

##### 5. Potential Cannabis Yield:

Unknown Unknown Unknown

##### 6. Drug Seizures (in kilos)

1A. Coca leaf	N/A	N/A	N/A
1B. Cocaine paste	N/A	N/A	N/A
1C. Cocaine base	N/A	N/A	N/A
1D. Cocaine HCL	76	182	1,139
1E. Opium poppy straw	N/A	N/A	N/A
1F. Opium gum	N/A	N/A	N/A
1G. Heroin (grams)	N/A	N/A	N/A
1H. Cannabis (tons)	.46	2.85	2.74
1I. Crack Cocaine (rocks)	708	714	1,289

8. Illicit Labs Destroyed: 0 0 0

##### 9. Domestic Consumption of illicit drugs:

Unknown Unknown Unknown

10. Arrests: 722 896 1,009

11. Users: Unknown Unknown Unknown

VI. Chemical Control: The GOH continues to try to limit the illicit introduction of precursor chemicals into the country.

However, comprehensive regulations to control the sale of chemicals necessary for the processing of illegal narcotics have never been developed. During the year, the government in conjunction with UNDP installed a national data system to more effectively track precursor chemical transactions.

#### VII. Money Laundering:

Honduras has a growing money laundering problem, but with passage of a tough new anti-money laundering law in February 2002 (Decree 45-2002), is taking steps to control money laundering activities. Honduras is not an important regional financial center and is not considered to have a significant black market for smuggled goods. Per a January 2002 National Banking and Insurance Commission Resolution (No. 012/08-01-2002), the operation of offshore financial institutions is prohibited. The arrest of the Jimenez drug trafficking cartel in May 2001, on the north coast of Honduras revealed an extensive money laundering operation of both domestic and foreign illicit proceeds. Their operation revealed a variety of criminal activities including narcotics trafficking, auto theft, kidnappings, bank fraud, smuggling, prostitution and corruption. Money laundering activities are not limited to the banking sector, but likely include currency exchange firms, casinos and front companies.

The new anti-money laundering law expands the definition of the crime of money laundering to encompass (1) any non-economically justified sale or movement of assets and (2) asset transfers connected with trafficking of drugs, arms and people, auto theft, kidnapping, bank and other forms of financial fraud, or terrorism. The law includes banker negligence provisions that make individual bankers subject to two to five-year prison terms for allowing money laundering activities.

The law creates a financial information unit in the National

Banking and Insurance Commission to which banks and other non-bank financial institutions must send information on all transfers exceeding USD 10,000 or 500,000 lempiras (about USD 30,000) or other atypical transactions. The law requires the Financial Information Unit and the reporting banks to keep a registry of reported transactions for five years. The Financial Information Unit receives between 2,600 to 2,700 reports per month of transactions over the designated threshold. A public prosecutor is assigned full-time to the Financial Information Unit and public prosecutors, under urgent conditions and with special authorization, may subpoena data and information directly from financial institutions. Since passage of the law, the Financial Information Unit has begun investigating approximately 70 cases of possible money laundering activity.

In October 2002, Honduras became a member of the Caribbean Financial Action Task Force. Honduras cooperates with U.S. investigations and requests for information pursuant to the 1988 UN Drug Convention. Honduras has signed Memoranda of Understanding to exchange information on money laundering investigations with Panama, El Salvador, Guatemala and Colombia. The Honduran government adheres to the core principles for effective banking supervision that the Basel Committee adopted in 1997. At the regional level, Honduras is a member of the Central American Council of Bank Superintendents, which meets periodically to exchange information.

**Asset Seizure and Forfeiture:** The National Congress enacted an asset seizure law in 1993 that subsequent Honduran Supreme Court rulings substantially weakened. The new money laundering legislation strengthens the asset seizure provisions of Honduran law. According to the law, officials in the Public Ministry will operate a warehouse for seized assets. The implementing regulation governing the operations of the warehouse is still under discussion. Since passage of the law and during the course of investigating cases of suspected money laundering, Honduran officials have frozen two bank accounts worth approximately USD 250,000.

**Terrorist Financing:** The National Banking and Insurance Commission has issued freeze orders promptly for the names on the UN 1267 Sanctions Committee's consolidated list and the subsequent lists of individuals and entities the U.S. has designated under relevant authorities. The Commission reported that, to date, no accounts linked to the entities on the lists have been found in the Honduran financial system. The Ministry of Foreign Affairs is responsible for instructing the Commission to issue freeze orders. The Commission directs Honduran financial institutions to search for, hold and report on terrorist-linked accounts and transactions, which, if found, are frozen. Honduras signed the 1999 International Convention for the Suppression on the Financing of Terrorism on November 11, 2001.

Palmer